

A weekly update of energy prices and issues to help leaders assess energy trends throughout the year.

Media Excerpts: A snapshot of state and national energy issues*

Oil prices slide on news of al-Zarqawi's death. Oil prices fell below \$70 per barrel Thursday for the first time in two weeks following the announcement of the death of al-Qaida's leader in Iraq, terrorist leader Abu Musab al-Zarqawi. Word by Nigerian militants that they would release foreign hostages and an easing of world tensions over Iran also calmed markets, which were already on a downward course after U.S. data showed ample crude and gasoline supplies. ("Oil prices slide on news of al-Zarqawi's death," *MSNBC*, 6-8-06)

Nigerian oil rig attacked. Eight oil workers including one Canadian, six Britons and a U.S. citizen have been kidnapped in an attack on an offshore oil rig in Nigeria. There was no immediate indication of any link to a campaign of attacks and abductions by the militant Movement for the Emancipation of the Niger Delta (MEND), which has cut Nigeria's oil exports by a quarter. MEND's campaign of attacks and kidnappings in January and February forced oil companies to shut down a quarter of OPEC member Nigeria's 2.4 million barrels per day production of crude. The attacks contributed to several spikes in world oil prices. Nigeria is the world's eighth-biggest exporter of oil and the fifth largest supplier to the United States, where its sweet, easy-to-refine crude is highly prized. ("Nigerian oil rig attacked," *CNN*, 6-2-06)

Rising fuel prices hurt SUV sales. Rising gas prices took a toll on the U.S. auto industry in May, flattening sales and causing steep declines for some trucks and sport utilities but giving a boost to Japanese automakers whose new subcompacts hit the market at the right time. General Motors Corp. said sales were down 12 percent for the month, while Ford Motor Co. reported a 2 percent decline and DaimlerChrysler AG's Chrysler Group saw sales fall nearly 11 percent. At the same time, Toyota Motor Corp. and Honda Motor Co. saw double-digit sales increases as consumer demand for more fuel-efficient vehicles grew. Toyota's overall sales were up 17 percent and car sales were up nearly 25 percent thanks to strong sales of the automaker's new Yaris subcompact and redesigned Camry sedan. Honda's sales were up 16 percent and car sales shot up 21 percent as buyers snapped up the Fit subcompact and redesigned Civic sedan. ("Rising fuel prices hurt SUV sales," *MSNBC*, 6-1-06)

Illinois offers \$80 million for FutureGen plant. Illinois has offered more than \$80 million in incentives in trying to land a billion-dollar power plant that could be the prototype for pollution-free electrical generation, Gov. Rod Blagojevich said yesterday. The package includes a \$17 million grant that could be used for various costs tied to the project known as FutureGen, the governor said. State support also includes an estimated \$15 million in sales-tax exemptions on materials and equipment, as well as \$50 million set aside by the Illinois Finance Authority for below-market-rate loans to the alliance of energy companies joining the U.S. Energy Department in the project. In addition to Illinois, seven other states also have proposals including one in Henderson, KY. If the Henderson site becomes a finalist, Kentucky has agreed to spend at least \$1.2 million for costs, including environmental and site studies. If the site is selected, a combined \$1 million would go toward purchasing the site and donating it to FutureGen and to building a barge-loading facility. The alliance also would get \$200,000 to deal with issues such as the location of power lines. ("Illinois offers \$80 million for FutureGen plant," *Courier-Journal*, 6-7-06)

What do you spend on energy? Here's a tough question: what part of your family budget goes toward energy? Energy used in the home and around a farm often includes combinations of electricity, natural gas, and propane. Then there's fuel for cars, trucks, lawn mowers, and farm machinery. Add in seasonal variations for each kind of energy and other changes in costs, and the question gets even tougher. How can a family balance the budget when energy costs change so often? From his office in Lexington, University of Kentucky Extension professor Dr. Robert Fehr says, "Extension agents statewide get so many questions about energy we've organized a quick-response team. This team of specialists and Extension agents met for the first time just before Christmas 2005. Working together, we can get answers about energy questions for homeowners and agricultural producers quickly." ("What do you spend on energy," *Kentucky Living*, 6/06)

Ethanol grabs attention of White House, Wall Street, Automakers. A tractor trailer rig rumbles into the Tall Corn Ethanol plant. Corn pours from openings in its belly to bins underground, where conveyor belts and buckets haul it to gleaming steel silos rising 13 stories above the Iowa plains. The 40-acre distillery turns corn into alcohol in quantities that would make a moonshiner drool. Instead of white lightning, the brew is converted to ethanol, a fuel that makes money for farmers and is seen as a possible solution to today's high oil and gas prices. Like the other modern-day stills dotting the Midwestern landscape, the Coon Rapids plant reached capacity soon after opening -- within 12 days, to be precise. Ethanol production in the United States is growing so quickly that for the first time, farmers expect to sell as much corn this year to ethanol plants as they do overseas. ("Ethanol Grabs Attention of White House, Wall Street, Automakers," *ENN*, 6-5-06)

Number of green home builders to increase by 30% in 2006. Results of a McGraw-Hill Construction/National Association of Home Builders (NAHB) survey indicate that 2005 saw a 20 percent increase in the number of home builders producing green, environmentally responsible homes. The study indicates that number will grow by another 30 percent this year. ("Number of Green Home Builders to Increase by 30% in 2006," *NAHB New Release*, 6-10-06)

These are media summaries. Please consult the source directly to ensure the accuracy of the information presented. Underlined titles are links to online articles in their entirety.



Kentucky Retail Fuel Prices (Dollars per gallon)

Product	06/07/06	05/31/06	05/24/06	05/17/06	Year Ago
Gasoline (State avg.)	2.809	2.705	2.711	2.808	2.048
Ashland	2.891	2.717	2.774	2.866	2.051
Covington	2.883	2.788	2.783	2.879	2.084
Lexington	2.837	2.689	2.674	2.817	2.069
Louisville	2.883	2.796	2.709	2.831	2.084
Owensboro	2.729	2.596	2.621	2.677	1.978
Diesel (State avg.)	2.813	2.790	2.797	2.831	2.173
Ashland	2.813	2.800	2.794	2.827	2.194
Covington	2.852	2.810	2.847	2.873	2.193
Lexington	2.831	2.799	2.805	2.870	2.175
Louisville	2.813	2.793	2.793	2.816	2.184
Owensboro	2.810	2.755	2.797	2.786	2.115

Note: The record high average price for gasoline in Kentucky is \$3.049 and occurred on Sept. 3, 2005.

Source: Gasoline (unleaded regular) & Diesel: National AAA, <http://www.fuelgaugereport.com/KYavg.asp>

Wholesale Fuel Prices

Spot Prices	06/07/06	05/31/06	05/24/06	05/17/06	Year Ago
Crude Oil (Dollars per barrel)	70.82	71.29	69.71	68.70	52.55
West Texas Intermediate, fob					
Natural Gas (Dollars per MMBtu)	5.810	5.990	6.010	6.080	7.290
Henry-Hub					

Source: Oilenergy.com

Futures		July-06	Aug-06	Sept-06
Crude Oil (Dollars per barrel)	06/07/06	70.82	71.50	72.35
Light Sweet Crude Oil	05/31/06	71.29	72.29	-
	05/24/06	69.86	70.61	-
Natural Gas (Dollars per MMBtu)	06/07/06	5.974	6.249	6.619
Henry-Hub	05/31/06	6.384	6.621	-
	05/24/06	6.170	6.405	-
Propane (Cents per gallon)	06/07/06	107.00	107.25	107.50
	05/31/06	104.70	105.00	-
	05/24/06	104.50	104.50	-
Coal (Dollars per ton)	06/02/06	51.25	-	-
Central Appalachian	05/26/06	50.50	-	-
	05/19/06	50.25	-	-

Source: [NYMEX closing price](#) and [EIA Coal Futures](#)

For more information, contact John Davies, Kentucky Office of Energy Policy:

Phone: (502)564-7192 or (800)282-0868 Fax: (502) 564-7484 E-mail: John.Davies@ky.gov Internet: www.energy.ky.gov

The Commerce Cabinet does not discriminate on the basis of race, color, national origin, sex, age, religion or disability and provides, on request, reasonable accommodations including auxiliary aids and services necessary to afford an individual with a disability an equal opportunity to participate in all services, programs and activities. To request materials in an alternative format, call the Office of Energy Policy at (800) 282-0868. Persons with hearing and speech impairments can contact the agency by using the Kentucky Relay Service, a toll-free telecommunication device for the deaf (TDD). For voice to TDD, call (800) 648-6057. For TDD to voice, call (800) 648-6056.

